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Chair: Mr. Berger ..... (Germany)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Kelapile

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The meeting was called to order at 10.15 a.m.

Agenda item 130: Programme budget for the biennium 2012-2013 (*continued*)

Construction of additional office facilities at the United Nations Office at Nairobi (A/67/217 and A/67/484)

Progress in the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa (A/67/216 and A/67/484)

1. **Mr. Sach** (Assistant Secretary-General for Central Support Services), introducing the Secretary-General's report on the construction of additional office facilities at the United Nations Office at Nairobi (A/67/217), said that the construction of the new office facility at the United Nations Office at Nairobi, which had begun on 4 May 2009, had been completed on time and under budget on 31 December 2010. Although substantial savings had been made in construction of the facility owing to the devaluation of the Kenyan shilling, those saving would have been even greater had it not been for the sharp rise in construction costs in the above-mentioned period. The total project savings, along with rental income in Nairobi over and above the final project cost, would revert, in full, to income section 2 of the programme budget for the biennium 2012-2013.

2. The project had originally called for the provision of office space for all United Nations offices located outside of the United Nations Office at Nairobi complex and the relocation of those offices to the complex. In 2008, the requirements had been expanded to include the provision of additional office space for tenants already located at the complex. The full benefit of the project had been realized as the new office facility fully satisfied the space requirements of all programmes, funds and agencies in Nairobi at the time of occupancy in 2011.

3. Among the lessons learned from the execution of the project were the importance of allowing sufficient time for architects to complete contract documents and establishing a dedicated project management team and an effective organizational and management structure. The associated costs of interior fit-out, and the logistics involved in moving to the new building, including the coordination of information technology equipment and furniture, should be estimated and included in the budget. The Office of Central Support Services would endeavour to disseminate those and other lessons learned.

4. The project's success could be attributed to the collective effort of the project team, the architect and contractor. The three-storey building, which was harmoniously incorporated into the existing complex, was an example of best practice in the field of sustainable design and construction.

5. Turning to the Secretary-General's report on progress in the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa (A/67/216), he said that the project was expected to be completed within the budget allocated. Following the initial value engineering exercise that had been conducted prior to the awarding of the contract in 2010, the project contingency resources had been largely depleted in 2011 owing to errors made by the architect in the contract documents. The project team had conducted a second major value engineering exercise and had been able to recover enough contingency to cover future potential risks.

6. Nonetheless, the project remained exposed to a number of risks. Although the likelihood of change orders on a project of such a scale and duration had been foreseen and had been accommodated using the contingency provision, cost containment remained the project team's foremost goal.

7. The most significant problem encountered in the reporting period had been the inability of the contractor to procure and deliver imported construction material in a timely manner. As a result, the project was behind schedule, despite the best efforts of the project team and other stakeholders. The team expected the imported material would soon be delivered and remained committed to ensuring that the contractor would complete the project as close as possible to the originally scheduled completion date. However, it was possible that the schedule might slip further because of liquidity difficulties faced by the contractor. To avoid significant delays, international suppliers were now being paid directly upon shipment of materials, instead of upon delivery to the site. Although that arrangement was working adequately, it might not fully compensate for the time lost.

8. The project team had requested legal advice regarding the rights of the United Nations under the terms of the contract and the remedies available to it.

The team would keep its options open so as not to compromise the Organization's negotiating position or to jeopardize the completion of the project.

9. The design of the ancillary projects had been completed in the past reporting period. Those projects, which had been budgeted for but had not been part of the original design, included landscaping, parking, information technology equipment, back-up generators and other site works. The design also included items outside of the project scope that were related to the future development of the area surrounding the new facility. In order to contain costs, contracts would be awarded only for items that fell within the base scope of the project and were necessary for building occupancy.

10. The project team continued to collaborate with all stakeholders, foremost with the Ethiopian Ministry of Foreign Affairs, on issues of construction material importation, value-added tax-free status, and provision of site utilities and access roads. The ongoing support of the host Government was essential to the success of the project. The independent technical advisor continued to provide advice regarding verification of project scope and costs, while the Security and Safety Section of the Economic Commission for Africa (ECA) had provided support in relation to the installation of a closed-circuit television system and access control devices. The Office of Central Support Services continued to provide necessary technical guidance, advice and support for the project, including by holding weekly conference calls and monthly videoconferences. The Office had also thrice dispatched missions to Addis Ababa in the current reporting cycle.

11. With regard to the renovation of Africa Hall, significant progress has been made towards repairing the building's roof and replacing its outdated electrical systems. However, more work would be required not only to restore Africa Hall to its original state as a modern, functioning conference facility, but also to make it a monument to modern African history.

12. **Mr. Kelapile** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/67/484), said that, with regard to the project at the United Nations Office at Nairobi, the Advisory Committee noted that 11 United Nations entities that had not originally expressed interest had since occupied the office space remaining after 8 other United Nations entities had decided not to move into the new office facility. While noting that full occupancy had been achieved, the Advisory Committee was of the view that efficient utilization of office space for newly constructed premises required firm commitments from participating United Nations entities. The Secretary-General should, to the extent possible, obtain firm commitments from all United Nations offices, agencies, funds and programmes operating in the same location prior to the commencement of major construction or renovation projects for common premises. The Advisory Committee further recommended that the General Assembly request the Secretary-General to ensure that opportunities for the co-location of United Nations entities are pursued in all duty stations, in compliance with its resolution 44/211.

13. The Secretary-General was requested to share lessons learned from the construction project at the United Nations Office at Nairobi to ensure that ongoing and future projects are based on an accurate assessment of requirements.

14. With regard to the project at ECA, the Advisory Committee noted that the duration of the project's construction phase had been extended by a further four months to 31 December 2012. It further noted that, as the construction phase was to be followed by a three-month fit-out period, the occupancy of the building had consequently been rescheduled for April 2013. The Advisory Committee was concerned by the liquidity difficulties faced by the contractor, which constituted a significant risk to the project and might be reflective of weaknesses in the conduct of the vetting and selection process of potential vendors. While noting the measures taken by the Secretary-General to address issues that affected project implementation, the Advisory Committee emphasized that all issues should be addressed through proactive project management. It also expected that the Commission would carefully monitor the progress towards the completion of the project and effectively coordinate the timely occupancy of the building in close consultation with the incoming occupants.

15. The Advisory Committee noted that the value engineering exercise had been conducted to address concerns expressed by the General Assembly in its resolution 66/247 and to offset partially an estimated expenditure of $734,000 drawn from the budgeted

contingency provision. The Advisory Committee stressed that value engineering should be continually pursued as a best practice, rather than an ex post facto reaction to project implementation problems.

16. Recalling that the budgeted contingency provision might be depleted by the completion date of the construction project, he said that the Advisory Committee considered that contingency provisions approved for construction projects served to provide necessary safeguards for meeting unforeseen cost overruns during project implementation. The Advisory Committee therefore expected that, at all times, the Secretary-General should endeavour to implement construction projects from within approved resources in order to obviate the need for drawdown from contingency provisions, which could be returned to Member States, as appropriate.

17. The Advisory Committee was of the view that the implementation of the flexible use of office space, or "hot-desking", which allowed staff to carry out their responsibilities and work at any workstation, merited serious consideration in the United Nations system. The Committee therefore looked forward to the issuance of the space allocation policy, which it expected would incorporate industry best practice. The Advisory Committee recommended that, in the interim, the General Assembly request the Secretary-General to implement the flexible use of office space in ongoing and future construction projects, where feasible.

18. The Advisory Committee encouraged the Secretary-General to continue to strive rigorously to contain costs in the construction of additional office facilities in Addis Ababa so as to ensure that the project was completed within the approved budget and scope.

19. The Advisory Committee recommended that the General Assembly take note of the reports of the Secretary-General on the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa and at the United Nations Office at Nairobi, taking into account the views and recommendations expressed in its report.

20. **Mr. Benmehidi** (Algeria), speaking on behalf of the Group of 77 and China, said that the Group attached great importance to proper management of the Organization's property portfolio and of any construction undertaken by the Organization. The Group therefore welcomed the progress made in the construction of additional office facilities at ECA, and noted with appreciation the cooperation with the host country authorities that had resulted in proactive action to ensure that bottlenecks were dealt with expeditiously.

21. While the Group noted that there had been some slippage in the project schedule, it commended the Secretary-General, ECA and the host country authorities for acting promptly to prevent further slippage and for exploring measures to expedite completion of the project. It also noted that, pursuant to General Assembly resolution 65/259, the renovation of Africa Hall was under way, and urged the Secretary-General to proceed expeditiously with that project.

22. The Group noted with appreciation that the construction of additional office facilities at the United Nations Office at Nairobi had been completed in advance of schedule and within budget. It commended the Secretary-General for his efforts and looked forward to the realization of the full benefits of the new office space. The Group hoped that the Organization would use the lessons learned from the construction project at the United Nations Office at Nairobi when implementing future projects.

23. **Mr. Kebret** (Ethiopia) said that his delegation welcomed the progress that had been made in the construction of additional office facilities at ECA. His Government had continued to provide its full support for the project and was working closely with ECA to ensure that all issues related to the timely and predictable delivery of needed construction materials, including cement, were adequately addressed.

24. His delegation commended ECA for having begun work, in cooperation with the United Nations Educational, Scientific and Cultural Organization and the African Union, on the renovation of Africa Hall. He trusted that renovation of the Hall would make it a modern conference facility, incorporating exhibition and museum spaces.

25. Lastly, his delegation noted with appreciation that the new building at the United Nations Office at Nairobi was now fully occupied, well within schedule and budget.

The meeting rose at 10.45 a.m.